

## Attachment 9 - Employee Benefits Reporting Guidance – Imputed Costs and Resources

### BACKGROUND

The Statement of Federal Financial Accounting Standards Number 5 (SFFAS #5), Accounting for Liabilities of the Federal Government, paragraphs 56 through 93, establishes accounting and reporting standards for liabilities relating to Federal employee benefit programs, civilian pensions and other retirement benefits. The SFFAS #5 requires that Chief Financial Officers' (CFO) reports disclose the full costs associated with pensions and other retirement benefits for their employees. This includes current costs and all future costs for benefits to be provided to Department of Defense (DoD) employees after they retire.

The Agency Wide Audited Financial Statements (AFS) Directorate at DFAS Indianapolis will provide the accounting sites with the DoD agencies' employee benefits costs (imputed costs and benefit expenses) in the Data Collection Module (DCM). The DCM will automatically prepare standard journal vouchers (JVs) that will interface with the Defense Departmental Reporting System (DDRS)-Audited Financial Statements (AFS) System upon selection of this option. If a DFAS site does not wish to use this option, the entries below for Imputed Costs and Employee Benefits should be used. If manual JVs are processed, ensure that "Data Call" is selected as the JV category. Please note that the amounts entered into DCM by Agency Wide AFS Directorate will be submitted to the Office of Personnel Management (OPM). In order to facilitate the proper elimination entry with OPM, it is imperative that the amounts entered in DCM are not changed unless coordinated with Agency Wide AFS Directorate.

### PART I - Imputed Costs

Accounting for the government's expenses related to employee benefits for (1) the Civil Service Retirement System (CSRS), (2) the Federal Employees Retirement System (FERS), (3) the Federal Employees Health Benefits (FEHB) Program, and (4) the Federal Employees Life Insurance (FELI) Program is a requirement for the financial statements. The amounts remitted to OPM by and for covered employees do not generally cover the full cost of the benefits those employees will receive after their careers are over. As a consequence, agencies must recognize an "imputed" cost equal to the difference between the true cost of providing future benefits to their employees and the employee and employer contributions they remit to OPM.

#### Journal Entries

6730 (F)(24)	Imputed Cost	
5780 (F)(24)		Imputed Financing Sources
<i>To record employer's share of liabilities and expenses for payroll benefits. (Retirement, FEHB, FELI)</i>		

### Journal Voucher Support

The following will be retained as support for this entry:

1. Agency Wide AFS Directorate report with imputed cost amounts, including the letter of approval from the Office of the Actuaries.
2. OPM guidance containing cost factors and imputed cost computation information.

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### PART II - EMPLOYEE BENEFIT EXPENSE

The DoD agencies are required to report the actual government contributions for employee benefits for (1) CSRS, (2) FERS, (3) the FEHB, (4) the FEGLI Program, and (5) the Voluntary Separation Incentive Program (VSIP). The objective of this process is to ensure that revenue per OPM agrees with expenses per DoD agencies. Government contributions for the above employee benefits should be recorded and reported using the United States Standard General Ledger (USSGL) account 6400, Benefit Expense. This account is also used to record employment benefits, entitlement benefits due and payable, or insurance and guarantee benefits that are incurred by the program agency.

The 15 percent DoD VSIP contributions (excluding NSA) have ceased. Any amounts owed for contributions to cover VSIP participants approved before September 30, 2003, are considered outstanding balances and must still be paid. All future VSIP-approved participation as of October 1, 2003, will no longer require a 15 percent contribution paid by the respective DoD agency (excluding NSA). All requirements to record and report the related expense and payable as described above will continue until all outstanding balances are paid in full.

#### Journal Entries to Recognize the Liability and Expense

<b>Proprietary Entry</b>	
6400 (F)(24)	Benefit Expense*
2213 (F)(24)	Employer Contributions and Payroll Taxes Payable*
3107 (F)(24)	Unexpended Appropriations - Used
5700 (F)(24)	Expended Appropriations

<b>Budgetary Entry</b>	
4610	Allotments – Realized Resources
4901	Delivered Orders - Obligations, Unpaid
<b>Payment Entry – Proprietary</b>	
2213 (F) (24)	Employer Contributions and Payroll Taxes Payable
1010	Fund Balance With Treasury
4901	Delivered Orders - Obligations, Unpaid
4902	Delivered Orders - Obligations, Paid

To record employer's share of liabilities and expenses for payroll benefits. (*Retirement, FEHB, FEGLI*)

\*NOTE: The proper USSGLs are 6400(F) and 2213(F). However, many of the legacy and migratory systems may be using 6100(F) and either 2110(F) or 2210(N) (F). When this occurs, a reclassification entry must be made to ensure reporting of expenses and liabilities in the appropriate USSGL accounts.

The DCM will prepare standard JV entries that interface with the DDRS-AFS for imputed cost and accrual of employee benefits. If additional JV entries into DDRS-AFS are necessary, please ensure that (1) the correct attributes for USSGL account 6400 are selected for Retirement, FEHB, FEGLI, and VSIP, and (2) “Data Call” is selected as the JV category since this entry will represent the source data. **Please note that the “Retirement” attribute has replaced the “CSRS/FERS” attribute.**

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### **Journal Voucher Support**

The following support will be retained as support for the entries above:

- 1) Agency Wide AFS Directorate report for the reporting period ending December 31, 2005, listing CSRS/FERS, FEGLI, and FEHB.
- 2) A copy of the Site support for VSIP liabilities as of December 31, 2005.

The OPM receives government contributions for agencies from many payroll offices. These payroll offices are unable to separately identify amounts for specific agencies (Army, Navy, etc.). The OPM has agreed to accept the DoD agencies' breakout of government contribution amounts submitted by Agency Wide AFS Directorate provided that the sum of the DoD agencies' contributions received by OPM agrees with the total amount it has recorded for the year.